

## Message Text

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PASS USDOC, EXIMBANK

E. O. 11652: N/A

TAGS: MEPD, MX

SUBJECT: EXIM VISITS SICARTSA

REF: MEXICO 8290

1. AFTER ONE DAY HOP TO LAS TRUCHAS TO VIEW SICARTSA PLANT, EMBOFF ACCOMPANIED EXIMBANK OFFICIAL DANIEL RENGERS ON JULY 5 CALL ON SICARTSA FINANCIAL DIRECTOR CALDERON DE LA BARCA COMBINED WITH COURTESY VISIT IN OFFICE OF DIRECTOR GENERAL ORIBE ALBA.

2. SICARTSA GARNERS MORE FINANCING. CALDERON DE LA BARCA WAS FLUSH FROM SUCCESSFUL ROUND THE WORLD MONEY SEEKING FLIGHT. IN TOKYO, HE ASSERTED, JAPANESE EXIM GRANTED \$300 MILLION LINE OF CREDIT, 14 YEAR TERM WITH 3 YEAR GRACE PERIOD, AT 8 PERCENT. IF PAST PRACTICE HOLDS TRUE, JAPANESE LOAN WOULD FUNNEL THROUGH NACIONAL FINANCIERA, ADDING ADMINISTRATIVE CHARGES TO COST OF LOAN. DURING FRANKFURT STOPOVER, KFW OFFERED \$200 MILLION PACKAGE (TIED TO SPECIFIC PURCHASES), UNDER WHICH 85 PERCENT WOULD BE FINANCED: KFW PROVIDING 42.5 PERCENT OF GERMAN COMPONENT, AND 7.5 PERCENT OF LOCAL COMPONENT; AKA PICKING UP SAME GERMAN AND LOCAL PERCENTAGES. TERMS SIMILAR TO JAPANESE: 14 YEARS, 3 YEAR GRACE, BUT 8.25 PERCENT INTEREST. CALDERON ALSO CONFIRMED RECENT NEWS-PAPER REPORTS THAT IBRD WOULD PROVIDE \$95 MILLION, AGREEMENT TO BE SIGNED JULY 14; WHILE IADB WOULD PROVIDE

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ANOTHER \$95 MILLION. IADB LOAN PRESENTLY BEFORE CREDIT

COMMITTEE.

3. GE'S CHANCES. CALDERON REPEATED THAT GE'S INITIAL BID WAS COMPETITIVE WITH JAPANESE AND UK-ITALIAN CONSORTIUM. GE, HOWEVER, HAD NOT MET SICARTSA'S SPECIFICATIONS, HE SAID. CALDERON CALLED IN ING. FLAVIO ROMOULI WHO STATED THAT GE HAD NOT OFFERED TROPICALIZED EQUIPMENT; FURTHERMORE COMPUTER CONTROLS NOT UP TO SICARTSA'S REQUIREMENTS. RATHER, GE HAD INCLUDED THESE ITEMS AS OPTIONS, ASSERTING THEY WERE NOT NEEDED FOR SICARTSA'S OPERATION. SUBSEQUENT DISCUSSIONS WITH GE LOCAL MANAGEMENT INDICATED THAT INCLUSION OF TROPICALIZATION AND RAISING LEVEL OF COMPUTER TO INTERFACE WITH COMPUTER ALREADY CONTROLLING PHASE I, WOULD INCREASE GE'S BID BY 18 PERCENT (THIS IS ROMOULI'S FIGURE). JAPANESE AND UK-ITALIAN CONSORTIUM BIDS WOULD ALSO REQUIRE SOME UPGRADING TO MEET SPECS, ROMOULI ADMITTED, BUT THE PRICE INCREASE WOULD BE MINOR.

4. THE FINAL ADJUDICATION OF THE 2ND PHASE ELECTRICS BIDDING WILL BE WITHIN ONE MONTH-AT THE LATEST WITHIN THE FIRST WEEKS OF AUGUST.

5. SOFT LETDOWN. AFTER ROMOULI'S PRESENTATION, CALDERON ASKED RENGERS WHETHER EXIM COULD MAKE CERTAIN ADJUSTMENTS IN ITS TERMS, AND SUGGESTED TWO: (A) EXIM TAKING 55 PERCENT VICE 145 PERCENT IN DIRECT FINANCING (RENGERS SAID NO). (B) WHETHER EXIM COULD GIVE 100 PERCENT GUARANTEE ON INTEREST (AGAIN, NO). RENGERS SUGGESTED SICARTSA MIGHT WANT TO INVESTIGATE PRIVATE INSTITUTIONAL FINANCING, IN WHICH CASE EXIM COULD PROBABLY GUARANTEE WHOLE 75 PERCENT. CALDERON REPLIED THEY HAD ALREADY CONTACTED DILLON READ.

6. ENTIRE FINANCIAL DISCUSSION CARRIED ON IN HYPOTHETICAL CASE AS IF GE'S EVALUATED BID INCREASE OF 18 PERCENT HAD VIRTUALLY ELIMINATED GE FROM REALISTIC COMPETITION, EVEN THOUGH GE'S BID STILL ONE OF THREE LOWEST. EMB REP'S NOTE THAT GE'S ESTABLISHED COMPETENCE IN MILL ELECTRICS LENT WEIGHT TO THEIR BID AND TO THEIR OPINION OF SPECIFIED REQUIREMENTS VIRTUALLY DENIGRATED BY ROMOULI WHO SAID ANY LIMITED OFFICIAL USE

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OF THREE LOWEST BIDDERS COULD DO THE JOB.

7. SICARTSA REPS THREW OUT SEVERAL PROPOSED SOPS TO POSSIBLE LOSS OF MILL ELECTRICS: (A) SICRTSA INENDS PURCHASE BOF CONTINUOUS CASTING CRANE FROM MORGAN-MEXICAN JOINT VENTURE. MORGAN WILL GET ABOUT 70 PERCENT OF \$32 MILLION COST. (B) SICRTSA WILL PROBABLY PURCHASE ITS PICKLING LINE FROM US(ROMOULI FAVORS WEEM) FOR ROUGHLY \$40 MILLION, WITH

A 25 PERCENT MEXICAN COMPONENT. (C) SICARTSA WILL PROBABLY PURCHASE ABOUT \$18 MILLION MOBIL EQUIPMENT OVER NEXT TWO YEARS FROM US.

8. VISIT WITH ORIBE ALBA WAS PROFORMA AND ADDED LITTLE OF SUBSTANCE TO OUR TALKS WITH CALDERON. ORIBE ALBA CONFIRMED CALDERON/ROMOULI STATEMENTS ON GE BID INCREASE FOR INCLUSION OF TROPICALIZATION AND UPGRADING COMPUTER CONTROLS. HE ALSO EXPRESSED DISPLEASURE WITH UNNAMED (AND UNKNOWN TO US) US CORRESPONDENT WHO WROTE THAT SICARTSA WAS BIASED AGAINST US SUPPLIERS. THIS GAVE ORIBE ALBA OPPORTUNITY TO OFFER TWO EXAMPLES OF US COMPANIES YIELDING TO THEIR FOREIGN LICENSEES RATHER THAN BID THEMSELVES IN FIRST PHASE-AS IF TO SAY ITS NOT OUR FAULT. HE ALSO BROUGHT UP HIS PERENNIAL COMPLAINT-THE COST OF EXIM MONEY.

9. COMMENT: GE'S LOCAL MANAGEMENT DONOVAN SAYS GE HAS HAD CONTINUOUS DIFFICULTIES WITH ROMOULI SINCE BEGINNING OF BIDDING. ROMOULI IS ITALIAN PHASE 2 PROJECT MANAGER, AND WAS PREVIOUSLY CONNECTED WITH ITALIAN FINSIDER, DONOVAN BELIEVES. DONOVAN ASSERTS ROMOULI HAS INCORRECTLY PENALIZED THEIR BID, BUT THAT THERE IS STILL SOME CHANCE OF CHANGING HIS MIND. GE IS ALSO LOOKING FOR OTHER PRESSURE POINTS IN GOM WHERE CONTACT MIGHT BE EFFECTIVE. EMBASSY WILL CONTINUE WORKING WITH GE IN ATTEMPT TO FIND RE-SOLUTION OF BID IN FAVOE OF GE.

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